



*Handbook for
Electronic Filers of
Individual Income Tax Returns*

Tax Year 2004

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WHAT'S NEW FOR 2004?

Idaho is allowing the filing of married separate tax returns in the e-file program.

LEGISLATIVE CHANGES

National Guard members called to active duty in a combat zone.

Idaho follows the Service Members Civil Relief Act passed in 2003 and continues to follow Internal Revenue Code (IRC) Section 7508 to provide income tax relief to service members called to active duty and serving in a combat zone. This relief does not extend to other tax obligations.

Bonus Depreciation

Idaho did not adopt the bonus depreciation provisions found in IRC, Section 168 (the 30 or 50 percent additional first-year depreciation). If you are depreciating property for which you claimed the bonus depreciation in the current year or a previous year for federal purposes:

- Complete a separate federal Form 4562 or provide detailed computations for Idaho depreciation purposes as if the special depreciation allowance had not been claimed.
- Compute the adjusted basis and any gains or losses from the sale or exchange of property using the Idaho depreciation amounts.
- Enter the state difference between Idaho and federal depreciation amounts and gains and losses from sales or exchanges of the property on the new bonus depreciation addition and subtraction lines on Form 39R or 39NR.

Section 179 Expense

Idaho has retroactively adopted the federal amendment to IRC Section 179. These amendments were effective for tax years beginning after December 31, 2002. If your 2003 Idaho return did not conform to the federal amounts claimed, you must amend it to conform to the amount elected for federal income tax purposes.

Long-Term Care Insurance

Long-term care insurance is no longer limited to 50 percent. You may deduct all of the long-term care insurance not otherwise deducted or accounted for.

Credit for Qualifying New Employees

The credit allowed to employers for qualifying new employees has been expanded to include a new \$1,000 per employee credit. It applies to certain new employees who have average annual earnings of \$15.40 or more per hour and are eligible to receive employer-provided accident or health plan coverage. Unlike the existing \$500 credit, the \$1,000 credit is not limited to individuals employed in a revenue-producing enterprise.

Credit for Contributions to Youth and Rehabilitation facilities expanded.

Donations made on or after January 1, 2004 to the Women's and Children's Alliance, and donations made on or after July 1, 2004 to the Children's Village, Inc., of Coeur d'Alene will qualify for the credit for contributions to youth and rehabilitation facilities.

CONTACT NAMES, TELEPHONE NUMBERS E-MAIL ADDRESSES

Taxpayers, Preparers, Transmitters, and EROs

Robin Allen, Help Desk (208) 334-7783

Rallen@tax.idaho.gov

Preparers, Transmitters, and EROs

Dawn Glazier, Electronic Filing Coordinator (208) 334-7822

Dglazier@tax.idaho.gov

Software Developers

Steve Thimsen, Technical Support (208) 334-7569

Sthimsen@tax.idaho.gov

Tax Information & Forms

Toll Free (800) 972-7660

Boise Area 334-7660

Internet: tax.idaho.gov

Forms are available at most Idaho libraries. A copy of "*Idaho Reproducible Forms*" contains Idaho tax forms for individuals and businesses.

IDAHO ELECTRONIC FILING CALENDAR FOR TAX YEAR 2004

PATS testing begins	November 9, 2004
Veteran's Day – Staff not available	November 11, 2004
Thanksgiving – Staff not available	November 25, 2004
Christmas Holiday – Staff not available	December 24, 2004
New Year's Holiday – Staff not available	December 31, 2004
Begin transmitting returns to IRS/IDAHO	January 14, 2005
Idaho Human Rights Day – Staff not available	January 17, 2005
President's Day - Staff not available	February 21, 2005
Last date for timely filed return	April 15, 2005
Last date for retransmitting rejected returns	April 20, 2005
Memorial Day – Staff not available.....	May 30, 2005
Independence Day – Staff not available	July 4, 2005
Last date for filing timely extension returns	August 15, 2005
Last date for retransmitting timely extension returns	August 20, 2005
Labor Day – Staff not available	September 5, 2005
Columbus Day – Staff not available	October 10, 2005
Extended due date	October 17, 2005
Retransmitting of rejected returns from October 17, 2005	October 22, 2005

NOTE: Idaho follows the IRS E-file calendar.

INTRODUCTION

The Idaho State Tax Commission along with the Internal Revenue Service (IRS), provides electronic filing of federal and state income tax returns. Federal/State e-file provides one-stop electronic filing of returns in a single transmission.

This handbook is an expansion of IRS Publication 1345. All specifications, requirements, and instructions defined in Publications 1345 apply to the Idaho Federal/State Electronic Filing Program unless otherwise stated.

The Idaho State Tax Commission accepts electronically transmitted individual income tax refunds, zero balance, tax due, and direct deposit returns.

PUBLICATIONS

Idaho State Tax Commission

- Idaho State Handbook for Electronic Filers of Individual Income Tax Returns. (STC-ELF-01)
- Idaho Electronic Filing System. Information for Software Developers. (STC-ELF-02)
- Idaho Electronic Filing Test Package. (STC-ELF-03)

Internal Revenue Service

- Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns.
- Publication 1346, Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns.
- Publication 1436, Test Package for Electronic Filing of Individual Income Tax Returns.

APPLICATION PROCESS

To participate in the Federal/State Electronic Filing Program:

- If you are an out-of-state ERO, you do not need to apply with Idaho to electronically file returns as long as the IRS accepts you.
- If you are an Idaho ERO and would like to be listed on our Web site as an ERO, you must send us:

Business Name
Mailing Address
- If you do not want to be listed on our Web site, you are automatically accepted as long as the IRS accepts you.
- If you are an ERO in Idaho already registered with the Idaho State Tax Commission and you have had no change, you need not reapply.

IRS Publication 1345 defines the application process and requirements for federal participation. The IRS definitions of various electronic filer categories (Electronic Return Originator, Transmitters, Software Developer, etc.) also apply for Idaho electronic filing.

FEDERAL/STATE ELECTRONIC FILING PROCESS HOW FEDERAL/STATE FILING WORKS

Idaho returns included in the Federal/State Electronic Filing Program will be transmitted to the IRS Service Center along with the federal return. All Idaho returns must include a corresponding federal return in the unformatted records.

Once the IRS has provided an acknowledgment to the ERO, the state data will be made available to Idaho for retrieval within 24 hours. Idaho will not receive any state data associated with a rejected federal return.

NOTE: The IRS acknowledges only that it received the state data. The IRS acknowledgment is not an indication that Idaho has “received” your state return. You must receive the Idaho acknowledgment to be assured your state return has been received. Contact The Idaho State Tax Commission if you receive the federal acknowledgment, but no state acknowledgment.

The Idaho acknowledgment system is designed to inform transmitters that the Idaho return has been retrieved and the return is being processed by Idaho. After receiving the return from the IRS, Idaho will generate an acknowledgment record and post the record for retrieval by transmitters.

Taxpayers can expect to have their refund check mailed or deposited within two weeks from the date of acknowledgment from the Idaho State Tax Commission.

A refund may take longer than two weeks to mail or deposit if:

- The return contains errors.
- The taxpayer owes debts that may be offset to other state or federal agencies.
- There are incorrect bank numbers or account numbers, if requesting direct deposit.

ACCEPTANCE PROCESS

EFIN and ETIN

The IRS assigns the EFIN (Electronic Filing Identification Number) and ETIN (Electronic Transmitter Identification Number). The Idaho State Tax Commission will use these same numbers in the Federal/State Electronic Filing Program.

These numbers will be used in the Acknowledgment System to identify preparers and transmitters.

IDAHO TEST DATA

All participants are required to follow the testing procedures for acceptance into the program.

Only software developers are required to test their software with Idaho. Participants must transmit live return data using only Idaho-accepted Federal/State Electronic Filing Software.

After electronic returns are transmitted, they cannot be recalled or intercepted in process.

STATE ONLY/AMENDED FILING

Idaho does support filing of “state-only and amended” returns through the Federal/State Electronic Filing Program . A state-only or amended return would be produced through software to build a complete state packet with a “dummy” federal return. The dummy federal return would allow the data to pass through the Fed/State program . All W-2 and 1099 information would be included.

IDAHO PORTION OF THE ELECTRONIC RETURN

The following forms and schedules can be transmitted electronically:

FORM 39R..... Resident Schedule

FORM 39NR.....Nonresident Schedule

FORM 40Idaho Long Form

(Form 40EZ filers can also use this format)

FORM 43 Part Year/Nonresident

FORM CG.....Capital Gains

FORM 49Investment Tax Credit

FORM 49C.....Idaho Investment Tax Credit Carryover

FORM 49R.....Recapture of Idaho Investment Tax Credit

FORM 49E..... Idaho election to claim the Qualified
Investment Exemption from Property Tax in lieu of Investment tax Credit.

FORM 55Credit for Qualifying New Employees

FORM 56Idaho Net Operating Loss

FORM 67 Credit For Idaho Research Activities

FORM 68 Idaho Broadband Equipment Investment Credit

FORM 68R Recapture of Idaho Broadband Equipment Investment Credit.

FORM 69Idaho Incentive Investment Tax Credit

FORM 69R..... Recapture of Idaho Investment Tax Credit

FORM 75 Idaho Fuels Use Report

Miscellaneous Statements.....Amended Description

FORM W-2 and 1099R..... Withholding and Distributions

Supporting federal returns and schedules **are required for all** electronic returns.

EXCLUSIONS FROM ELECTRONIC FILING

In addition to the returns listed in *Publication 1345* as excluded from federal electronic filing for the 2004 tax filing period, the following documents will **not be accepted** for electronic filing on the 2004 Idaho return:

Prior year returns

Non-calendar year filers

TRANSMITTING THE IDAHO ELECTRONIC RETURN

Since the Idaho electronic return will be transmitted with the federal return, the transmitter must follow all electronic transmitting procedures, communication requirements, and technical specifications required by the Internal Revenue Service, as defined in *Publication 1345*.

Participants in the Federal/State Electronic Filing Program must confirm with their software developer or direct transmitter that the software has the capability of processing and transmitting the state data along with the federal data to the Philadelphia Service Center.

IDAHO ACKNOWLEDGEMENT SYSTEM

Idaho will participate in the combined Federal/State acknowledgment program. State acknowledgments will be transmitted by Idaho to the IRS through the EMS (Electronic Management System). Transmitters will be able to retrieve state acknowledgments in the same way federal acknowledgments are retrieved.

The Idaho acknowledgment system is designed to inform transmitters that the Idaho return data has been retrieved and is being processed by the Idaho State Tax Commission.

NON RECEIPT OF IDAHO ACKNOWLEDGMENT RECORD

In all cases, before you contact the Idaho State Tax Commission be sure you have received an IRS Acknowledgment Record and the federal tax return was accepted and contained an Idaho state return.

Contact the Idaho State Tax Commission if you received:

1. Idaho acknowledgment records for some, but not all, returns filed on the same day.
2. IRS Acknowledgment Records more than two working days ago and did not receive Idaho Acknowledgment records for the same tax returns.
3. Acknowledgment records for a transmission day that follows a day that no records were received. (e.g. received acknowledgment records for Wednesday, but not for Tuesday)

Who to contact:

To check on the status of an Idaho Acknowledgment Record, call (208) 334-7783. Please have the following information available when calling:

Electronic Filer ID Number (EFIN)
Primary SSN
Transmission Date
Contact Name and Phone number

RESPONSIBILITIES OF ELECTRONIC FILERS, TRANSMITTERS, EROS

Electronic Filers, Transmitters, and Electronic Return Originators must abide by the terms set forth in the *Idaho State Handbook* and must maintain a high degree of integrity, compliance, and accuracy in order to continue to participate in the Federal/State Electronic Filing Program, they must also abide by the following requirements:

COMPLIANCE

All electronic filers must comply with the requirements and specifications set forth in the Internal Revenue Service Publications 1345 and 1346. The *Idaho State Handbook*, and the *Idaho Software Specifications*.

TIMELINESS OF FILING

Transmitters must ensure that electronic returns are filed in a timely manner. The date of the Internal Revenue Service acknowledgment will be considered the filing date for an Idaho return transmitted electronically.

Transmitters should confirm acknowledgment of the state return by the Idaho State Tax Commission.

DEADLINE FOR FILING

The Idaho State Tax Commission will accept electronically filed Idaho returns that have been submitted for transmission to the IRS, Service Center through October 15, 2005. Any Idaho returns submitted after October 15, 2005 must be filed as paper documents.

RESPONSIBILITY TO YOUR CLIENTS

Preparers have been entrusted with the task of filing a client's tax return and must assume the responsibility of ensuring that the return arrives at the Idaho State Tax Commission.

CHANGES ON THE RETURN

If the transmitter or taxpayer wishes to make any changes after the return has been accepted and acknowledged, an amended return with corrected changes can be filed electronically, if your software offers this option.

If your software does not offer this feature, the taxpayer must file a corrected return on paper. Idaho returns must be mailed to the following address:

IDAHO STATE TAX COMMISSION
PO BOX 56
BOISE ID 83756-0056

HANDLING PROBLEMS

Taxpayers, Prepares, Transmitters and EROs may call (208) 334-7783.
For help with problems relating to the electronically filed state return.

POSTAL ADDRESS STANDARDS

RULES:

Upper case letters preferred but not required.

Punctuation should be omitted except the hyphen in the zip code.

Directional information should be abbreviated.

SHOULD BE

234 NW SMITH ST

678 MAIN DR S

101 N BAY LN

599 BAY BLVD SW

127 N 12TH ST

POSTAL BOX

PO BOX 213

RURAL ROUTE ADDRESSES

RR 2 BOX 152
RFD and RD = RR

NOT

234 NORTHWEST SMITH STREET
234 NW SMITH STREET

678 MAIN DRIVE SOUTH

101 NORTH BAY LANE

599 BAY BOULEVARD SOUTHWEST

127 NORTH 12TH
127 N 12TH STREET

NOT

P O BOX 213
BOX 213

NOT

RT 2 BOX 152

COMMON ABBREVIATIONS

APARTMENT
BUILDING
FLOOR

APT
BLDG
FL

DEPARTMENT
SUITE
ROOM

DEPT
STE
RM

APPLICATIONS TO PARTICIPATE

FOR NEW IDAHO APPLICANTS ONLY

(If you are outside the state of Idaho, and already accepted to file with the IRS, you are automatically approved to file with Idaho.)

Idaho State Tax Commission
Attn: Linda Bray
PO Box 36
Boise ID 83722

Date_____

RE: Intent to Participate in the Federal/State Electronic Filing Program

Dear Ms Bray:

I am interested in participating in the Federal/State Filing Program for the state of Idaho.

Name:_____

Business Name or DBA:_____

Address:_____

Phone Number:_____

Software Name:_____

Transmitter Name (third party):_____

_____ *I am currently an accepted electronic filer with the Internal Revenue Service.*

My EFIN is _____. (A copy of my acceptance letter is attached.)

_____ *I have applied to participate in the Internal Revenue Service's Electronic Filing Program. I have not been accepted and /or do not have an EFIN/ETIN at this time. I will provide this, as well as a copy of my acceptance letter when I receive it. (A copy of my application is attached.) I may also call (208) 334-7783 with this information.*

Sincerely,

Linda Bray
Electronic Filing Unit
208-334-7787
lbray@tax.idaho.gov